

# Valeant Pharmaceuticals Proposes to Acquire ISTA Pharmaceuticals Inc. for \$6.50 Per Share in Cash

December 16, 2011

MISSISSAUGA, Ontario, Dec. 16, 2011 /PRNewswire/ -- Valeant Pharmaceuticals International, Inc. (NYSE: VRX) (TSX: VRX) today announced that it had made a proposal to the Board of Directors of ISTA Pharmaceuticals Inc. (Nasdaq: ISTA) to acquire ISTA for \$6.50 per share in cash. The proposed transaction has a total equity value of approximately \$314 million on a fully diluted basis. In addition, ISTA has net debt of approximately \$13 million, bringing the total enterprise value to approximately \$327 million. This proposed price represents a premium of approximately 68% over ISTA's 60-day volume weighted trading average of \$3.87 and a premium of approximately 67% over ISTA's closing price of \$3.89 on December 15, 2011. Valeant's Board of Directors unanimously supports this proposal.

Preferring a consensual process, Valeant approached ISTA on October 5, 2011. After ISTA refused to enter into a customary confidentiality agreement with Valeant, Valeant made a formal written proposal to ISTA's management on November 23, 2011. ISTA responded to this letter on December 2, 2011, stating that it needed more time to review Valeant's proposal. Valeant reaffirmed its proposal to ISTA on December 12, 2011 in writing, and ISTA rejected this proposal on December 14, 2011. Valeant is disappointed by ISTA's rejection of its proposal and ISTA's unwillingness to engage in discussions. Copies of the three letters from Valeant to ISTA are attached to this press release.

"The proposed \$6.50 per share price represents a meaningful premium to ISTA's recent trading performance, and we believe it represents a compelling opportunity for ISTA's shareholders in light of the continuing challenges facing ISTA," stated J. Michael Pearson, chairman and chief executive officer of Valeant. "We would be willing to consider improving our offer price if we were allowed to conduct due diligence and found additional value. Given the importance of the proposed transaction to shareholders of both companies, we have decided to make our proposal public. We believe ISTA stockholders should not be denied the opportunity to determine for themselves whether their board and management should engage with Valeant in a meaningful and productive dialogue regarding our proposal. We have already devoted significant time and resources to pursuing this potential transaction. Therefore, consistent with our past disciplined approach to acquisitions, our \$6.50 offer will only remain in effect until January 31, 2012."

Valeant is being advised on this transaction by Morgan Stanley & Co. LLC and Skadden, Arps, Slate, Meagher & Flom LLP.

## **About Valeant Pharmaceuticals International, Inc.**

Valeant Pharmaceuticals International, Inc. (NYSE/TSX: VRX) is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of neurology, dermatology and branded generics. More information about Valeant Pharmaceuticals International, Inc. can be found at [www.valeant.com](http://www.valeant.com)

## Forward-looking Statements

This press release may contain forward-looking statements, including, but not limited to, statements regarding Valeant's offer to acquire ISTA. Forward-looking statements may be identified by the use of the words "anticipates," "expects," "intends," "plans," "should," "could," "would," "may," "will," "believes," "estimates," "potential," or "continue" and variations or similar expressions. These statements are based upon the current expectations and beliefs of management and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, risks and uncertainties discussed in the company's most recent annual or quarterly report filed with the Securities and Exchange Commission ("SEC") as detailed from time to time in Valeant's filings with the SEC and the Canadian Securities Administrators ("CSA"), which factors are incorporated herein by reference, as well as and risks and uncertainties relating to the proposed merger, including the negotiation and completion of a formal transaction agreement and regulatory approval processes. Readers are cautioned not to place undue reliance on any of these forward-looking statements. Valeant undertakes no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect actual outcomes.

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Chairman and Chief Executive Officer

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[www.valeant.com](http://www.valeant.com)

***Strictly Confidential***

November 23, 2011

Dr. Vicente Anido Jr.  
Director, President and Chief Executive Officer  
ISTA Pharmaceuticals Inc.

50 Technology Drive  
Irvine, CA 92618

Dear Vicente:

Consistent with the discussions you and I have had in recent weeks and on behalf of Valeant Pharmaceuticals International, Inc. ("Valeant"), we are pleased to make a preliminary, non-binding, all-cash offer for all the outstanding shares of ISTA Pharmaceuticals Inc. ("ISTA") for \$6.50 per share. This offer price represents a meaningful premium to ISTA's recent trading performance.

While we believe our offer fully values ISTA, we would consider revising our price higher if we find additional value in due diligence.

Our management team has developed a track record of successfully acquiring specialty pharmaceutical companies and has built strong relationships with both equity and debt investors who strongly support Valeant's growth plan. We have carefully studied the ophthalmology area and believe it is a strong fit with Valeant's existing competencies. The acquisition of ISTA would provide Valeant an attractive platform to build out another promoted therapeutic area in the U.S. and would also help further the development of ISTA's business. We believe a combination with Valeant would provide tremendous value for ISTA shareholders.

Please let me know whether at this time you wish to pursue discussions with Valeant along the lines described above. We trust that you will make the right decision for your shareholders.

The preliminary offer in this letter is not intended to, and does not create any binding obligation on Valeant, ISTA or any of their affiliates.

We are eager and prepared to move quickly on an exclusive basis. If you and your Board are interested in pursuing this potential opportunity, we are prepared to execute confidentiality and exclusivity agreements promptly and to proceed with due diligence and the negotiation of definitive binding agreements on an expedited basis. We believe that it is in the interest of both our companies to proceed promptly with the proposed transaction. In that regard, we request that you respond to this letter no later than noon on December 2, 2011.

I look forward to your response, and please feel free to call me if you would like to discuss any aspect of this letter.

Yours truly,

J. Michael Pearson  
Chairman and Chief Executive Officer  
Valeant Pharmaceuticals International, Inc.

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cc: Mr. Richard C. Williams

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Chairperson of the Board of Directors

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ISTA Pharmaceuticals Inc.

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Chairman and Chief Executive Officer

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December 12, 2011

Dr. Vicente Anido Jr.  
Director, President and Chief Executive Officer  
ISTA Pharmaceuticals Inc.  
50 Technology Drive  
Irvine, CA 92618

Dear Vicente:

Given our continued interest in ISTA Pharmaceuticals Inc. ("ISTA"), I was encouraged to hear from you that you will provide us with a clear response to our recent offer by Friday, December 16, 2011. And I am also pleased that going forward we have agreed that you and I will represent the primary communication channel between our companies.

As you know, after having previously sought to engage ISTA in discussions regarding a potential acquisition transaction, I sent a letter on behalf of Valeant Pharmaceuticals International, Inc. ("Valeant") to you on November 23, 2011 to formally submit to the ISTA Board of Directors our all cash proposal to acquire all the outstanding shares of ISTA for \$6.50 per share. We received your letter dated December 2, 2011 saying the ISTA Board of Directors needed more time to respond to us given your intention to engage in strategic review and planning in December. While we would have hoped that the ISTA Board had already reviewed ISTA's strategic prospects and immediately appreciated the value Valeant is offering to ISTA shareholders, we continue to stand by and look forward to your engagement with us this week.

I wish to reaffirm our proposed purchase price of \$6.50 per share, representing a 95% premium to ISTA's closing price of \$3.33 per share on October 4, 2011, the last closing price prior to our meeting on October 5, 2011, which was the only time you and I ever discussed price. The \$6.50 per share also represents a 67% premium over ISTA's 60-day volume weighted average price of \$3.88. We believe our offer represents a compelling opportunity for your shareholders. I would like to reiterate that this offer is for all outstanding shares of ISTA, as we do not believe Valeant taking a minority position in ISTA is in the interest of either of our shareholders.

As I mentioned in my previous letter, if we are provided with the opportunity to conduct due diligence, we may be able to identify additional value to our shareholders, a portion of which we would be willing to share with ISTA shareholders.

Vince, as you know, we and our Board have enormous respect for you and the company you have built. As our track record demonstrates, Valeant can move quickly and decisively to finalize a

transaction. We look forward to working quickly to conclude a successful transaction for our respective shareholders.

Of course, this letter is not intended to, and does not create any binding obligation on ISTA, Valeant, or any of their respective affiliates.

I look forward to your response later this week, and would welcome the opportunity to discuss any aspect of this letter with you. I remain available to meet with you and/or your Board at any time.

Yours truly,

J. Michael Pearson  
Chairman and Chief Executive Officer  
Valeant Pharmaceuticals International, Inc.

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December 16, 2011

The Board of Directors of ISTA Pharmaceuticals Inc.  
c/o Dr. Vicente Anido Jr., Director, President and Chief Executive Officer  
ISTA Pharmaceuticals Inc.  
50 Technology Drive  
Irvine, CA 92618

Gentlemen:

I am writing on behalf of Valeant Pharmaceuticals International, Inc. ("Valeant") to express our disappointment that the Board of Directors (the "Board") of ISTA Pharmaceuticals Inc. ("ISTA") has rejected our all cash offer to acquire all the outstanding shares of ISTA for \$6.50 per share. This proposal price represents a meaningful premium to ISTA's recent trading performance, and we believe it represents a compelling opportunity for ISTA's shareholders in light of the continuing challenges facing ISTA. We are willing to consider revising our proposal if we are allowed to conduct due diligence and can find additional value.

We are surprised that the Board has refused to engage in constructive dialogue with us concerning our proposal, despite our repeated attempts to engage the Board. The Board's refusal to engage with us will only further delay the ability of ISTA's stockholders to receive the substantial value represented by our all cash proposal, therefore costing ISTA's shareholders significant value. We continue to believe that an acquisition by Valeant would provide tremendous value to ISTA's shareholders, but we are increasingly concerned that as each day goes by, the value of ISTA to Valeant's shareholders is decreasing as ISTA's share price has continued to decline since we first expressed our interest in acquiring the company. In addition,

as the Board is aware, ISTA faces a number of challenges, including as a result of difficulties in phasing out XIBROM and establishing BROMDAY with physicians and patients as a replacement. We believe that rigorous advanced planning is required to avoid similar difficulties in establishing Prolensa with BROMDAY patients.

At some point, a potential merger between ISTA and Valeant may no longer be attractive to us. For the reasons set forth in this letter, and given the importance of this proposal to our respective stockholders, we have decided to make this letter public. We hope that the Board will agree that ISTA's shareholders should not be denied the opportunity to consider this offer.

As previously communicated to the Board, our management team has developed a track record of successfully acquiring specialty pharmaceutical businesses, such as Valeant's recent acquisitions of Ortho Dermatologics (Johnson & Johnson), AB Sanitas, Afexa and the pending Dermik (Sanofi) transaction and has built strong relationships with investors, who strongly support Valeant's growth plan. We have carefully studied the ophthalmology area and believe it is a strong fit with Valeant's existing ophthalmology business and competencies. The acquisition of ISTA would provide Valeant an attractive platform to build out another promoted therapeutic area in the U.S. and would also help further the development of ISTA's business.

We have already devoted significant time and resources to pursuing this potential transaction. Therefore, consistent with our past disciplined approach to acquisitions, our \$6.50 offer will only remain in effect until January 31, 2012. Again, we reiterate that if you allow us to conduct due diligence and we can find additional value, we are willing to consider improving our offer price.

Of course, this letter is not intended to, and does not create any binding obligation on ISTA, Valeant or any of their respective affiliates. However, we are determined to take every appropriate action to pursue this transaction and, given the substantial value represented by our proposal, we are confident that a substantial majority of ISTA's stockholders will support our proposal. We stand ready to meet with the Board and its advisors immediately to discuss our proposal and to work to implement this transaction.

I look forward to the Board's response, and would welcome the opportunity to discuss any aspect of this letter with you.

Yours truly,

J. Michael Pearson  
Chairman and Chief Executive Officer  
Valeant Pharmaceuticals International, Inc.

## Investor Inquiries

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